



James C. Cagle
Vice President – Regulatory Business
461 From Road, Suite 400
Paramus, NJ 07652
tel 201-750-5702
fax 201-750-5728
email Jim.Cagle@suez-na.com

March 28, 2018

Ms. Donna L. Nickerson, Secretary
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building Suite 100
Dover, Delaware 19904

**Re: In the Matter of the Petition of Delaware Division of the Public Advocate to Reduce the Rates of Regulated Utilities as a Result of the Tax Cuts and Jobs Act of 2017's Reduction in Corporate Income Taxes and other Tax Changes
Docket No. 17-1240 Order No. 9177**

Dear Ms. Nickerson:

On January 16, 2018, the Delaware Public Service Commission (the "Commission") directed in its Order in PSC Docket No. 17-1240 ("Generic Tax Order") a series of requirements for utilities under its jurisdiction related to the impacts of modifications to the Internal Revenue Tax Code by the implementation of The Tax Cuts and Jobs Act of 2017 ("TCJA"). In compliance with the directives and requirements set forth in that Order, please accept the following letter as the response of SUEZ Water Delaware Inc. ("SWDE" or the "Company").

Background

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act which substantially modifies the Internal Revenue Tax Code ("IRC") effective January 1, 2018. At a minimum, the passage of the TCJA was highly partisan and, according to many projections will add substantially to the Federal deficit over time. SUEZ believes therefore that it is likely that in the near future, other substantive changes could again be made to the IRC which could additionally impact SWDE. As a result, due to the ongoing level of uncertainty, the Company's proposed ratemaking treatments in this response are made with an eye to future changes.

As currently in place, and as related to SWDE, the modification having the greatest direct impact is the immediate reduction of the corporate income tax rate from 35% to 21% ("The FIT rate"). This change reduces both current and deferred Federal Income Tax Expense for the Company and reduces the amount of Accumulated Deferred Income Tax ("ADIT") required to be recognized on the Company's balance sheet. In addition, the TCJA eliminated the exemption for water and sewer utilities from recognizing Contributions in Aid of Construction ("CIAC") as taxable income.



Single Issue Ratemaking

Limited issue rate proceedings are specifically authorized by statute, 26 Del. C. §304(b) whereby “In prescribing conditions for rate changes, the Commission is specifically authorized and empowered to conduct proceedings in which it limits the number or type of issues it will consider in determining whether or not to permit or allow such changes. The Commission may adopt or change regulations to govern such limited issue rate proceedings.”

SWDE believes that such authority should be used sparingly and, in particular, only where it is clear that the issue is outside of determinations made in the last rate case and significantly impacts the Company and our customers. It is our understanding that the Delaware Division of the Public Advocate (“DPA”) has almost universally opposed single issue ratemaking. With any such proceeding which considers a limited issue, due care should be taken such that any resulting change in rates fully considers the issue and does not impact other issues more appropriately determined in a full rate case. However, in this instance, the impacts of the TCJA are well defined, the date of change certain, and the ability to calculate the impact based upon the information in the last rate case, sufficiently clear that almost all of the impacts of the TCJA can be determined and resolved outside of a base rate case. As a result, the Company’s calculations are made based upon the last rate case (Docket No. 16-0163) information and, as much as possible, consider the facts and circumstances which were decided in that case. A change in current rates made to consider the impact of the TCJA must consider the bases upon which those rates were determined.

Accounting issues

The application of provisions of the TCJA are complex. An example of the recognition of this complexity is Securities and Exchange Commission 17 CFR Part 211 [Release No. SAB 118] Staff Accounting Bulletin No. 118, which is applicable to publicly traded companies under the jurisdiction of the SEC, allows corrections up to one year from the date of implementation stating: “The measurement period begins in the reporting period that includes the Act’s enactment date and ends when an entity has obtained, prepared, and analyzed the information that was needed in order to complete the accounting requirements under ASC Topic 740. During the measurement period, the staff expects that entities will be acting in good faith to complete the accounting under ASC Topic 740. The staff believes that in no circumstances should the measurement period extend beyond one year from the enactment date.”

Currently, the Company is continuing to review in detail its income tax records in order to verify the balances of the regulatory liabilities subject to continued normalization (“protected”) as well as those that are not (“unprotected”) and has engaged an outside accounting firm to assist in that review. The Company anticipates that some change could occur to the approximated amortization period, protected vs. unprotected amounts as well as possible changes in the regulatory



liability itself once all analyses are complete and as the 2017 income tax returns are filed. SWDE anticipates the 2017 income tax returns will be filed by October 15, 2018.

The effects of the TCJA on the SWDE balance sheet

The effects from the TCJA have been deferred upon the books and records of the Company consistent with Generally Accepted Accounting Principles ("GAAP"), and consistently applied regulatory principles. GAAP requires that the Company reflect the effects of the change in ADIT in the 2017 financial statements resulting from the change in the FIT rate from 35% to 21%. Also, because the Company is rate regulated and subject to the jurisdiction of the Commission, that change in the total balance of ADIT has been reflected as a regulatory liability on the Company's balance sheet as of December, 31, 2017. The effects of the TCJA are neutral to the Company's balance sheet and rate base

SWDE has included with this letter Exhibit D showing the transactions and, referencing Exhibit D, the sum of the regulatory liability and post TCJA ADIT is equivalent to the pre-TCJA ADIT. For ratemaking purposes, ADIT is a reduction in the Company's rate base and the resultant regulatory liability would also be considered a reduction to rate base. Therefore, the impact of the TCJA for this entry is neutral to the Company's balance sheets and "per book" rate base as of December 31, 2017.

The effects of the TCJA on the SWDE income statement

The immediate change in the Federal Income Tax ("FIT") rate impacts the Company's ongoing income tax expenses beginning January 1, 2018. Consequently, the Company has, and will continue to, calculate the difference in income tax expense at the 35% vs. the 21% rates beginning January 1, 2018 and record this difference to a regulatory liability until such time as the SWDE's rates are updated to reflect the reduction in income tax rates. The Company is making this calculation based upon actual monthly results.

Ratemaking Related to the Established Regulatory Liability

The regulatory liabilities established (or portion thereof) which were contributed by customers should be returned to customers over an appropriate amortization period. This amortization period for the amount of the regulatory liability which arose from normalized ADIT amounts is considered "protected" and per the IRC, may be amortized no faster than over the period in which the related ADIT would have otherwise reversed. As this amount is amortized, the amortization should result in a decrease in current expenses and an incremental increase in rate base of the amount of the amortization (net of the ongoing income tax impacts). When rates are reset, the Company believes those impacts on rates must be taken into account regardless of the direction of the adjustment.



The amortization period for the amount of the regulatory liability which arose from amounts not considered normalized are “unprotected” and may be amortized over a period different from those protected. We believe that the Commission should consider carefully the appropriate amortization periods for this amount. As noted above, while SWDE believes that significant changes could be made to the IRC reversing many of the impacts of the TCJA, it and the Commission must act consistent with their understanding of the IRC at this time, but should consider within that decision, ways to mitigate more radical impacts in the event future adjustments are made. A significant change impacting the level of ADIT required by GAAP and, particularly with the amount of the “unprotected” regulatory liability if amortized inappropriately quickly, could require a later charge to customers or create a further permanent regulatory asset.

As the regulatory liabilities are amortized, the amount of the amortization would decrease customer rates by the amount of such amortization. In addition, the amortizations would also increase rate base as the balance of the regulatory liabilities (a reduction to rate base) is decreased. Consequently, For SWDE, for each \$1 of continued amortization, the resulting revenue requirement would be offset by approximately \$0.10 which is cumulative year over year.

SWDE believes the disposition of the amortization of the regulatory liabilities are best addressed in a base rate filing. The decreasing nature of the regulatory liability calls into question the appropriate level of rate base adjustment needed over the period before the next base rate case. SWDE does not anticipate filing a base rate case until sometime in late 2019 with rates being effective in 2020. In the meantime, SWDE believes the regulatory liabilities should be held at their current levels effectively reducing rate base (net of the associated ADIT). To place context around the amounts, the amount of the amortization including the rate base impact is approximately 0.5% of current revenues.

However, SWDE also believes there is an effective alternative utilizing the DSIC surcharge which could be acceptable to the Commission that would not, in practice, call into question the appropriateness of single issue ratemaking in this instance. If the amount of the amortization of the regulatory liability net of the associated ADIT were to be incorporated into the DSIC surcharge calculation at the average level during which the individual 6 month surcharges, SWDE believes the amortization of the regulatory liabilities, the tax impact of the amortization, and the rate base change due to the amortization would effectively be passed on to customers in the most expeditious manner. A sample of such a calculation is included as Exhibit E with this letter.

Contributions in Aid of Construction

CIAC for both electric and gas utilities have been taxable since at the Tax Reform Act of 1986. As a result of the taxability of the contribution, utilities commonly required the contributor to pay for the



income tax consequences of the taxability of the contribution so that the utility's customers would not subsidize the contributor. The Delaware Administrative Code, Title 26, 2000, Section 3.8.6, states "If any portion of property contributed by the contractor, builder, developer, municipality, homeowner, or other project sponsor is deemed taxable income to the utility, the utility shall be permitted to gross up the amount of the CIAC to include such tax liability." Section 3.8.7 states "The Federal and State income taxes, if required, associated with the CIAC and paid by the utility receiving the CIAC, may be added to rate base, at which time the utility will have an opportunity to earn a fair return on this amount." Therefore SWDE believes a gross-up for federal and state income taxes may and should be collected from a contributor in compliance with the above referenced code sections.

The TCJA's elimination of the exemption of water and sewer companies does not impact either SWDE's regulatory liability or the ongoing change in total income tax expenses for ratemaking purposes resulting from the TCJA at this time.

Exhibits Attached

Exhibit A - the calculation of the change in revenue requirement for SWDE.

In order to calculate the level of income taxes included in current rates, it is appropriate to look at how income taxes were calculated in the case from which the current rates were derived. In order to make this calculation for SWDE, the components needed are the rate of return and components thereof, rate base, the components of the revenue conversion factor, and the State and Federal income tax rates. In Exhibit A, SWDE has utilized the rate of return and components thereof, as well as the revenue conversion factor from the most recent base rate case filing Docket No. 16-0163 (the "Case"). Rate base was not stated in the Commission Order so in order to determine the appropriate amount to utilize in determining the amount of income taxes included in current rates, testimony was reviewed and the Company's updated rate base amount of \$91,643,348 was utilized in the calculations as this amount is produces a more conservative result. The components of the revenue conversion factor are included on page 2 of Exhibit A calculated at both the 35% FIT rate as is currently included in rates and the TCJA 21% FIT rate. The calculation indicates that the change in federal income taxes is \$1,309,390 or 4.684%.

Exhibit B - the proof of rates showing the applicable rates calculated in compliance with the requirements of this provision of the Generic Tax Order.

In Exhibit B, the proof of revenues utilized to prove rates in the Case was utilized to prove recalculated rates to be charged to customers after including the impacts of the TCJA. Utilizing the billing determinates, the current water service rates are reduced uniformly by the percentage calculated and shown on Exhibit A. The calculation does not reduce miscellaneous charges.

Exhibit C – the calculation of the regulatory liability and ADIT reflecting the TCJA



Attached as Exhibit C to this letter are the Company's calculations as of December 31, 2017 of the Post TCJA Regulatory liability which is grossed-up and the Post TCJA ADIT which includes the deferred income tax impact of the Regulatory liability gross-up. These amounts reflect SWDE's books and records. As discussed above and as shown on Exhibit C, the impact of the entries to the Company's balance sheets are neutral as shown on column c. Exhibit C also shows customer contributed "protected" amounts column (d) and customer contributed "unprotected" amounts are shown in column (e). We believe those customer contributed amounts are susceptible to ratemaking action.

As mentioned above, SWDE is continuing to review in detail its income tax records. Subject to the completion of the above review, the Company currently believes the amortization period utilizing the "alternative method" as allowed by the TCJA is approximately 40 years and is required for the 'protected' portion of the regulatory liability. The Company believes prudence dictates that the unprotected portion of the regulatory liability should be amortized over the same period.

Exhibit D – Pro-forma sample calculation of the impact of TCJA on the current DSIC surcharge

The DSIC surcharge will be impacted by the TCJA as the amount of income taxes reflected in the pre-tax rate of return will decrease. The calculation shows a pro-forma calculation utilizing previous investment levels as a proxy to show the impact of the TCJA on the DSIC rate. While the Company believes the best time to address the regulatory liability and the amortization thereof is in a base rate case filing, the calculation also includes the average reduction in rate base for the period for the 6 months in which the DSIC would be in effect this amount would increase with each future DSIC filing. The calculation also includes six months of the amortization of the regulatory liability and could include an additional amortization of the regulatory liability being currently accumulated for the effects of tax reform until rates are changed. Please note the calculation does not represent a projection of a future DSIC surcharge amounts but represents a sample to illustrate the calculation of DSIC including the pro-forma amortization of the estimated regulatory liabilities arising from the TCJA.

Conclusion

SWDE appreciates the opportunity to file this letter in response to the Generic tax Order and looks forward to the Commission's continuing process. If the DEPSC, its Staff, or the DPA have any questions or discovery regarding this letter, the Company anticipates engaging in a full discussion of any of those issues.

The Company believes that rates reflecting the impacts of the TCJA including amortization of the regulatory liabilities through DSIC rates as described could be implemented as soon as July 1, 2018, coincident with the effective date of the next DSIC and looks forward to working with Staff and the DPA to provide the benefits of the TCJA to ratepayers in this complex matter.



Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James C. Cagle', written over a horizontal line.

James C. Cagle
Vice President – Regulatory Business

Enclosures

cc: Regina A. Iorii, DPA
Robert Howatt, PSC Staff

SUEZ Water Delaware Inc.
Docket No. 17-1240
Change in Revenue Requirement - FIT Expense

Exhibit A, Page 1

Line No.	Description	Delaware As-Allowed @35%	Delaware As-Allowed @21%	Difference
1	Rate Base	\$91,643,348	\$91,643,348	
2	Rate of return	<u>7.62%</u>	<u>7.62%</u>	
3	Utility operating income	6,985,406	6,985,406	
4	Interest expense:			
5	Weighted Cost of debt	<u>2.42%</u>	<u>2.42%</u>	
6	Interest expense	<u>2,219,204</u>	<u>2,219,204</u>	
7	Taxable income	4,766,202	4,766,202	
8	State Income Tax	<u>414,660</u>	<u>414,660</u>	
9	Federal Taxable income	4,351,542	4,351,542	
10	Federal income Tax	1,523,040	913,824	
11	Revenue conversion factor	<u>1.697949</u>	<u>1.397047</u>	
12	Federal Income Taxes	<u>\$2,586,045</u>	<u>\$1,276,655</u>	<u>(\$1,309,390)</u>
13	Revenues as allowed last rate case (Excluding Other Revenues)			<u>\$27,951,957</u>
14	Percent reduction			<u>-4.684%</u>

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 5

COMPUTATION OF GROSS REVENUE FACTOR

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Line No.	Description	Percent Incremental Gross Revenues at 35% FIT Rate	Percent Incremental Gross Revenues at 21% FIT Rate		
1	Gross Operating Revenues				
2	Operating Revenues				
3	Net Operating Revenues	1.00000	1.00000		
4	Uncollectible Rate	0.00459	0.00459		
5	State Gross Receipts Tax - PSC Assessment	0.00300	0.00300		
6	Income Before State Income Tax	0.99241	0.99241		
7	State Income Tax at 8.7%	0.08634	0.08634		
8	Income Before Federal Income Tax	0.90607	0.90607		
9	Federal Income Tax at 35%	0.31712	0.19027		
10	Income After Federal Income Tax	0.58895	0.71580		
11	Operating Income Percentage	0.58895	0.71580		
12	Gross Revenue Conversion Factor	1.69795	1.39705		
13	State Income Tax Rate	8.70%	8.70%		
14	Federal Income Tax Rate	35.00%	21.00%		
15	Composite Rate	40.65500%	27.87300%		
16	Cost of Capital Summary:				
	Type of Capital	Capital Structure Ratio	Cost Rate	Weighted Cost of Capital	Pre-tax Weighted Cost of Capital
17	Debt	46.66%	5.19%	2.42%	2.42%
18	Equity	53.34%	9.75%	5.20%	7.21%
19	Total Capital	100.00%		7.62%	9.63%

PROPOSED FACILITY CHARGES

All Classes Meter Size	Current Tariff	Proposed Rates	Increase	Percent Increase
5/8"	\$12.50	\$11.91	-\$0.59	-4.72%
3/4"	15.10	14.39	(0.71)	-4.70%
1"	19.98	19.04	(0.94)	-4.70%
1 1/4"	23.44	22.34	(1.10)	-4.69%
1.5"	29.13	27.77	(1.36)	-4.67%
2"	43.29	41.26	(2.03)	-4.69%
3"	110.00	104.85	(5.15)	-4.68%
4"	147.36	140.46	(6.90)	-4.68%
6"	236.22	225.16	(11.06)	-4.68%
8"	339.07	323.19	(15.88)	-4.68%
10"	440.97	420.31	(20.66)	-4.69%

Service Type	Test Period Adjusted No. Bills	Monthly Present Rates	Annual Revenues	Reduction	Monthly Proposed Rates	Annual Revenues	
Residential	411,598	\$12.50	\$5,144,975		\$11.91	\$4,902,132	-4.72%
Residential	26	15.10	393		14.39	374	-4.74%
Residential	273	19.98	5,455		19.04	5,198	-4.70%
Residential	63	29.13	1,835		27.77	1,750	-4.64%
Total Residential	411,960		5,152,657	(243,203)		4,909,454	-4.72%
Commercial	15,366	12.50	192,075		11.91	183,009	-4.72%
Commercial	73	15.10	1,102		14.39	1,051	-4.66%
Commercial	8,253	19.98	164,895		19.04	157,137	-4.70%
Commercial	5,173	29.13	150,689		27.77	143,654	-4.67%
Commercial	2,439	43.29	105,584		41.26	100,633	-4.69%
Commercial	340	110.00	37,400		104.85	35,649	-4.68%
Commercial	169	147.36	24,904		140.46	23,738	-4.68%
Commercial	206	236.22	48,661		225.16	46,383	-4.68%
Commercial	33	339.07	11,189		323.19	10,665	-4.69%
Total Commercial	32,052		736,501	(34,582)		701,919	-4.70%
Industrial	42	12.50	525		11.91	500	-4.76%
Industrial	15.46	15.10	233		14.39	222	-4.90%
Industrial	83	19.98	1,658		19.04	1,580	-4.72%
Industrial	75	29.13	2,185		27.77	2,083	-4.66%
Industrial	157.74	43.29	6,829		41.26	6,508	-4.69%
Industrial	50.40	110.00	5,544		104.85	5,284	-4.69%
Industrial	83.30	147.36	12,275		140.46	11,700	-4.69%
Industrial	180	236.22	42,520		225.16	40,529	-4.68%
Industrial	12	339.07	4,069		323.19	3,878	-4.69%
Industrial	24	440.97	10,583		420.31	10,087	-4.69%
Total Industrial	722.90		86,421	(4,050)		82,371	-4.69%
Public Authority	97.02	12.50	1,213		11.91	1,156	-4.68%
Public Authority	60.30	19.98	1,205		19.04	1,148	-4.71%
Public Authority	119.13	29.13	3,470		27.77	3,308	-4.68%
Public Authority	193.32	43.29	8,369		41.26	7,976	-4.69%
Public Authority	84.23	110.00	9,265		104.85	8,832	-4.68%
Public Authority	72.37	147.36	10,664		140.46	10,165	-4.68%
Public Authority	24.166	236.22	5,708		225.16	5,441	-4.69%
Total Public Authority	650.54		39,895	(1,869)		38,026	-4.68%
TOTAL *	445,385.44		6,015,474	(283,704)		5,731,770	-4.72%

SUEZ Water Delaware Inc.
Proof of Rates

Exhibit B

Consumption 1,000 Gallons							
Residential	621,081	4.5387	2,818,902	(131,793)	4.3265	2,687,109	-4.68%
	859,609	5.4864	4,716,156	(220,575)	5.2298	4,495,581	-4.68%
	184,027	7.6882	1,414,837	(66,194)	7.3285	1,348,643	-4.68%
	<u>1,664,717</u>		8,949,895	(418,562)		8,531,333	-4.68%
Commercial	1,085,468	4.2567	4,620,512	(216,008)	4.0577	4,404,504	-4.67%
Industrial	285,442	4.1483	1,184,099	(55,347)	3.9544	1,128,752	-4.67%
	<u>1,479,994</u>	3.0953	4,581,025	(214,007)	2.9507	4,367,018	-4.67%
	1,765,436		5,765,124	(269,354)		5,495,770	-4.67%
Public Authority	22,255	3.9037	86,877	(4,059)	3.7213	82,818	-4.67%
Sales for resale	62,912	3.9131	246,181	(11,507)	3.7302	234,674	-4.67%
Residential			5,152,657	(243,203)		4,909,454	
			8,949,895	(418,562)		8,531,333	
			<u>14,102,553</u>	(661,766)		<u>13,440,787</u>	
Commercial			736,501	(34,582)		701,919	
			4,620,512	(216,008)		4,404,504	
			<u>5,357,012</u>	(250,589)		<u>5,106,423</u>	
Industrial			86,421	(4,050)		82,371	
			5,765,124	(269,354)		5,495,770	
			<u>5,851,545</u>	(273,404)		<u>5,578,141</u>	
Public Authority			39,895	(1,869)		38,026	
			86,877	(4,059)		82,818	
			<u>126,772</u>	(5,928)		<u>120,844</u>	
Sales for resale			246,181	(11,507)		234,674	
Total general metered			6,015,474			5,731,770	
	4,600,788		<u>19,668,589</u>			<u>18,749,099</u>	
			25,684,063	(1,203,194)		24,480,869	
DSIC			0			0	
Public Fire			1,273,404	(59,646)		1,213,758	-4.68%
Private Fire			994,498	(46,582)		947,915	-4.68%
Other			275,610			275,610	
			<u>28,227,575</u>	(1,309,422)		<u>26,918,152</u>	
			<u>28,227,557</u>			<u>26,918,167</u>	-4.64%
			<u>18</u>			<u>(15)</u>	

SUEZ Water Delaware Inc.
Accumulated Deferred Income Tax and Excess Deferred Income Tax Regulatory Liability Balances
As of December 31, 2017

Exhibit C

Line No.	Account	Description	ADIT Balance at 12/31/2017	Rate Base Related ADIT	Protected @ 21% FIT Rate	Unprotected @ 21% FIT Rate
	(a)	(b)	(c)	(d)	(e)	(f)
1	19010	Other	\$82,944			
2	28203	MACRS	11,531,661	\$11,531,661	\$11,531,661	
3	28207	Pension Reg Asset FAS158	1,372,332			
4	28208	PBOP Reg Asset FAS158	(241,878)			
5	28211	Benefit on DSIT	(4,016)	(4,016)		(\$4,016)
6	28300	Other	365,669			0
7	28301	Tank Painting	119,627			
8	28302	Rate Expenses	125,827			
9	28303	Deferred Charges	(34,383)			
10	28305	M_S Fees	(259,241)			
11	28306	Pensions	(970,000)			
12	28307	PEBOP	(715,950)	(715,950)		(715,950)
13	28308	Cost of Removal	548,064	548,064		548,064
14	28310	Uncollectibles	(52,173)			
15	28311	Injuries and Damages	(50,914)			
16	28312	AFUDC Equity	300,206	300,206	300,206	
17						
18		Total Deferred Tax before TCJA impact [1]	12,117,774			
19						
20	28405	Def FIT - New Federal Tax Rate	(4,847,110)	(4,663,986)	(4,732,747)	68,761
21	28406	Def FIT-New Federal TaxRate GU	(1,873,133)	(1,802,366)	(1,828,939)	26,572
22		283 Deferred income taxes & ITC	\$5,397,531	\$5,193,612	\$5,270,181	(\$76,569)
23	25316	Regulatory Liab-Tax New Federal Rate	\$6,720,243	\$6,466,352	\$6,561,685	(\$95,333)
24						
25		Total ADIT and Regulatory Liability after TCJA impact (line 26 plus line 29)	\$12,117,774			
26						
27		Amortization of the Rate Base Related Regulatory Liability amount utilizing the RSGM (estimated) over 40 years		\$161,659		
28						
29						
		[1] Sum of Lines 1 through 16				

DEVELOPMENT OF RATE AND SUPPORTING DATA
SUEZ Water Delaware
Pro-Forma Sample Calculation of DSIC beginning 7/1/2018 with TCJA

	Item	Docket No. 9075 11/1/16 -4/30/17	Docket No. XXXXX 5/1/17-10/31/17	PRO_FORMA Using Previous Amts 11/1/17 - 3/31/18 [a]	Total	TCJA DSIC Adjustments [b]	Total
1	Net Utility Plant Additions	\$ 2,290,138	\$ 2,517,439	\$ 2,517,439	\$ 7,325,015		\$ 7,325,015
2	Net Accumulated Depreciation Reserve Change	\$ 224,065	\$ 423,314	\$ 423,314	\$ 1,070,692		\$ 1,070,692
	Change in Net Ratebase due to the TCJA Regulatory Liability Balance					(\$34,008)	\$ (34,008)
3	Net Change in Rate Base (Line 1+ Line 2)	\$ 2,514,203	\$ 2,940,752	\$ 2,940,752	\$ 8,395,708		\$ 8,361,700
4	Pre-tax Rate of Return	11.25%	11.25%	11.25%	11.25%	9.63%	9.63%
5	Semi-Annual Pre-Tax Rate of Return	5.63%	5.63%	5.63%	5.63%		4.82%
6	Semi-Annual Investment Cost Recovery	\$ 141,424	\$ 165,417	\$ 165,417	\$ 472,259		\$ 402,708
7	Semi-Annual Depreciation Expense	\$ 16,375	\$ 18,710	\$ 18,710	\$ 53,795		\$ 53,795
	Amortization of TCJA Regulatory Liability (6 months)					(\$80,829)	\$ (80,829)
8	Total Semi-Annual DSIC Revenue Requirement (Line 6 + Line 7)	\$ 157,799	\$ 184,127	\$ 184,127	\$ 526,054		\$ 375,674
8A	Total Over/(Under) Collection from Previous DSIC Revenue Requirement						
9	Total Semi-Annual DSIC Revenue Requirement	\$ 157,799	\$ 184,127	\$ 184,127	\$ 526,054		\$ 375,674
10	Semi-Annual Projected Water Service Revenues	\$ 14,691,439	\$ 14,702,407	\$ 14,713,375	\$ 14,724,343		\$ 14,713,375
11	Projected DSIC Rate Increase Percentage	1.07%	1.25%	1.25%	3.57%		2.55%

[a] Utilizes previous additions as a proxy for the sample calculation

[b] Includes the average rate base change due to the amortization of the Regulatory Liability and 6 months of amortization.